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(1)

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To: NEA - Mr. Atherton

Through: NEA - Mr. Sober

From: NEA/ARP - Joseph Twinam

The U.S. military supply relationship with Saudi Arabia may be summarized under the following major programs, listed in approximate chronological order:

1. Military Transport and Cargo Aircraft

Lockheed began commercial sales of C-130 aircraft in 1965 and has delivered 28 to date with ten more on order. The total value of these sales is estimated at $300 million.

2. Hawk Air Defense System

Begun in 1966 as a commercial sale by Raytheon, this program originally provided ten missile batteries, the last of which was in place by 1969. The total value was $280 million. In 1974 a $266 million contract was signed to upgrade the basic Hawk to Improved Hawk (I-Hawk for short). Implementation of that program is expected to be complete by 1978. Finally, in June 1976 a $1.06 billion contract was signed to provide six batteries of "Triad" I-Hawks, the last of which is expected to be in place by mid-1981.

3. Saudi Ordinance Corps

Originally called the "Saudi Arabian Mobility Program" (SAMP), this is a long-term program to improve maintenance of the Saudi Army vehicle fleet. Through FMS procedures the U.S. Army Corps of Engineers supervises civilian contractors providing services under the $674 million, 11-year program.

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4. Saudi Naval Expansion

Surveys conducted in 1968 culminated in a U.S.-Saudi agreement in 1972 providing for the sale under FMS procedures of 25 ships (including six harbor craft), related training and maintenance, as well as the construction (supervised by the Corps of Engineers) of naval bases at Jidda and Jubayl. The program is valued at $3 billion. Four ships have been delivered thus far, and the completion of the whole program is expected by 1982.

5. F-5 "Peace Hawk"

Begun in 1971 under FMS procedures, this program originally covered the delivery of 20 F-5B trainers and 30 F-5E fighters plus related training, maintenance and logistic support. The total value was $425 million. In January 1975 an LOA was signed providing for the delivery of 40 F-5E's and 20 F-5F's at a cost of $769 million. Delivery of these aircraft, now under way, is expected to be completed by Spring of 1978. Another LOA valued at $1.5 billion was signed in March 1976 for continued maintenance and training with associated construction. Northrop is the prime contractor. Under separate FMS cases, valued at a total of about [redacted] Sidewinders and [redacted] Mavericks have been sold for use with the F-5's. Of these, 200 Sidewinders have been delivered. The balance of the Sidewinders and all the Mavericks will be delivered by late 1978. (a)(1) (a)(5)

6. Saudi Arabian National Guard

We agreed in 1973 to modernize two battalions (later increased to four with organic artillery batteries) of the Saudi National Guard. Under this FMS program, valued at $488 million, we are providing arms, equipment and related training over a period of five years. Vinnell, Cadillac Gage and General Electric are civilian subcontractors. The first battalion "graduated" in October 1976. Necessary construction is being handled separately by the Corps of Engineers under contracts valued at $222.7 million.

7. Army Mechanization

The Saudis signed LOS'a in May 1976 providing for the sale of equipment and services to mechanize two of their four infantry brigades. This $594 million program is expected to be completed by 1980.

8. Communications

Lockheed signed a $168.5 million commercial contract in 1973 to maintain and operate early-warning radars and air defense communications. All systems are in place. Litton is expected to sign a contract this year to sell the AN/TSQ-73 "missile minder" and facilities for an air defense command and control system valued at about $1 billion. It is not yet decided whether this will fall under FMS or commercial procedures.

Other sales under FMS include basic army uniforms, individual battlefield equipment, various weapons and ammunition. There are also important commercial sales of services, notably the operation and maintenance of three Saudi Army hospitals by Whittaker Corporation.

In addition to the above, the Army Corps of Engineers under the Engineering Assistance Agreement of 1965 has been active in supervising the construction of military cantonments, the King Abdul Aziz Military Academy, other military schools, a Ministry of Defense medical center at al-Kharj and the Taif General Hospital. The Corps acts as an agent for the SAG and the projects it supervises do not necessarily involve U.S. firms as contractors. Thus the total value of the projects, some $16 billion, is quite misleading as a gauge of U.S. input.

The total number of DOD personnel in Saudi Arabia as of September 1976 was as follows:

Army	165	
Air Force	101	
Navy	20	
Marines	5	
Civilians	329	(mostly Corps of Engineers)
TOTAL	510	

DOD dependents total 688.

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While the U.S. is the foremost supplier of military articles and services to Saudi Arabia, other countries also play a role. Great Britain has provided much of the present air defense system, including Lightning interceptors and advanced radar and communications systems. France has sold armored cars, tanks and Crotale air defense missiles. The Italians (Agusta Bell) have been the main source of helicopters.

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Future U.S. contracts may include further mechanization of the Saudi Army, advanced aircraft (the Saudis want F-15's), and an improved "airmobile" capability consisting initially of some 80 helicopters.

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